

FSC-39-C	2/29/96	TO: ROM			
SUBJECT: Paying Retailers for Performance					
DISTRIBUTION:					
<input checked="" type="checkbox"/>	AVP	<input checked="" type="checkbox"/>	KAM	<input type="checkbox"/>	ELM
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<input checked="" type="checkbox"/>	RBM	<input type="checkbox"/>	DM	<input type="checkbox"/>	DF
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12/12/01
J. S. 2001
Note

(U.S. Mailed To All Other Full-Time Field Sales Personnel)

As we have transitioned to a more performance based (RJR volume) retail merchandising/ presence approach in 1995 and 1996, we have enhanced our opportunity for success in-store. Our programs are bundled together, our payments are performance based more today than at any time in the past. One thing that has not changed, however, is the performance we require at retail in keeping our displays in the right location unobstructed and filled. Last year we established a clear direction that said... We will expect retailers to do more for us... Display payments must be earned through performance... It is not an entitlement or gift.

Keeping all of the above in mind we felt it critical to share with you some comparative information and some steps we are going to put in place to reset our "standards" for retailer performance.

Background:

For years our rate of non-compliance at retail has been 3%. This rate was in place when we had preferred presence, multiple DORAL floor displays on separate contracts, one footprint, three footprints... etc., etc., etc. It's never really varied regardless of our needs or requirements. Comparatively, our largest competitor seems to run well into the 20% - 30% level on non-compliance and it may be that they're holding retailers to the standards and not paying for poor performance. Their high double digit rate is probably also a function of their dictatorial attitude.

The point is, our competitors non-compliance is probably too high and ours is too low.

Issues:

We have had a practice as a sales organization of doing some of the following:

- Sales/retail representatives not fully addressing non-compliance in chains with the right people and simply entering non-compliance after little to no effort.
- KAM's not following up with chain headquarter points when they are advised of non-compliance to aggressively pursue solving the issue.
- Sales/retail representatives being more lenient with compliance in an independent call, not wanting to cause conflict/confrontation with the owner.
- Making adjustments (over-rides) to the pay register.

Obviously, a team oriented approach to solving problems with everyone communicating is how we must operate and everyone should be commended for great progress in this area over the past several months.

Next Steps/Changes Requested:

We must change the retailers mind-set of what is acceptable performance. We must make every effort to resolve chain and independent store problems with the right person in the outlet in a very professional, diplomatic and non-dictatorial manner. Non-compliance should be entered by the guidelines if the problem is not resolved or continues to reoccur. Bottom line, we are running a business, and we must expect a return for the money we are paying.

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AE's, KAM's, AM's, DM's must follow up with your chain headquarter points to resolve the issues our representatives communicate as a team!

In order to facilitate this team approach we are going to make one major change that will drive communication, improve performance by retailers and most likely result in a change in either our non-compliance rates or improved retail presence. The change is as follows.

- We are removing the ability for managers to over-ride sales representative entered non-compliance on quarterly pay registers.
- As certain circumstances warrant, area managers of operations can approve overrides via your requests if sound rationale is provided.

We must trust each other to do our jobs and this includes trusting our sales/retail representatives to enter the right information after diligence in trying to solve the problem. I am certain this will improve our communications in the field, and more importantly our position/presence at retail.

Sincerely,

Jim

Jim Maguire
Senior Vice President, Sales

3-496

Army, when the Pay Register communication
goes out to Managers in HQ →
Re. → This is found and has honour
→ Please return to ME and I
will forward to SP supervisor.
Any questions call Jim →
JEM

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